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LEADING the Revolution

As the brains and brand behind the ubiquitous PlayStation platform, Sony Computer Entertainment has led the Australian games industry for more than two decades.

Images by Scott Ehler

When the Australian and New Zealand division of Sony Computer Entertainment was established more than 20 years ago, Michael Ephraim was chosen as its capable leader. With a vast range of industry experience at Virgin Home Video and SEGA OziSoft, Michael was headhunted by Sony to lead its new arm.

With widespread and far-reaching technological changes in the industry, from digital to multimedia and mobile device integration, Michael and his team have had to work hard to stay abreast of consistent technological innovation and shifting consumer demands.

The CEO Magazine sat down with Michael to discuss the shifts that have fuelled the games industry and the shifts that Sony Computer Entertainment has sparked.

The CEO Magazine: Over the two decades that you've been at Sony, how have you seen technology and Sony shift as the market evolves?

Michael: The shifts in the past two decades have been seismic! PlayStation has played a major role in the changes, and I've had the absolute pleasure of being part of the journey from the very beginning.

The original PlayStation, PS1, launched in Australia in 1995 and totally revolutionised the computer games category of the time. We introduced CD technology as the storage medium for games; prior to that it was cartridge. The CD tech also enabled the device to offer music playback from CDs, which was one of the many trend-setting functions we brought to the game console; and, in addition, the PS1 offered jaw-dropping, three-dimensional games instead of the traditional side-scroll games of the era.

When PlayStation 2 came along, it was the first home console to attempt network play with the introduction of the PS2 network adaptor. It was a bold, early effort for the time, but a world away from how our consumers now enjoy network play. PS2 was also the cheapest DVD player, another feature we pioneered for home consoles.

Then it was time for PlayStation 3, which was one of the most highly anticipated home entertainment devices of its time. PS3 was one of the first Blu-ray players to the Australian market and was a key component in winning the Blu-ray format battle for Sony. PS3 also expanded into non-gaming services that were appealing to the more general entertainment seekers such as movies, music, and catch-up TV services like ABC iView. In fact, we were the first non-PC device that offered the ABC iView service in Australia. At the time, we played a significant role in ›



establishing what a set-top box needed to be for the future.

During the PS3 period, the mobile space took off. Nowadays, almost everyone has a mobile phone and perhaps even a tablet, playing bite-sized games that extended the mass market attraction that PlayStation had originally started. The mobile space really has opened gaming up to everyone, and this is a fact that has been well recognised by Sony and has played a significant role in some of the key decisions made in the development of our most recent home console, PlayStation 4.

How have you ensured that Sony maintains its competitive edge in such a tough market?

In the early PlayStation days when we owned 70 to 80 per cent of the market, our business was focused purely on games, and we had all the exclusives, not just from our development studios but from our third-party partners. By way of a broad example, think about Capcom's *Tomb Raider* franchise; when it first launched, it was available only on PlayStation. It was because of PlayStation's leading market position. But with PlayStation 2 and the addition of new features such as network play and DVD, we shifted consumers' expectations around what they thought was possible in a games console. With this, we had to continually evolve who we marketed it to and how.

To remain competitive, Sony continued to innovate PlayStation, while we developed the brand in unique ways that kept us a step ahead of the curve. It's more complex now. But if you look at what we offer with PlayStation 3, it's truly a multimedia device. However, to achieve mass household penetration more quickly than any other connected home device, the core offering of high-definition, immersive gaming has always been at the heart of the PlayStation offerings. We've always felt that gamers will take to new technology more quickly than consumers of any other category of



entertainment. They demand innovation that is revolutionary—not simply evolutionary.

Now, with PlayStation 4, the expectations and demands of consumers are more sophisticated. Historically, with every home console launch, graphical advancements have been the big selling points. Having been in the industry for 25 years, you think that you've seen the best, but developers keep finding crafty new ways to push the processing power of consoles, even at the end of their life cycle, and the graphics just keep getting better and better. It never ceases to amaze me! You'll see games come out later this year for PlayStation 4 that will totally blur the line between digital graphics and video.

That said, something I'm particularly excited about with PlayStation 4 is that we've taken steps to break down the perceived barriers between home console gaming and mobile gaming on tablets and phones. We've

embraced the fact that a huge percentage of the population are getting their gaming fix through social media networks and bite-sized games readily available through a range of app stores. This open-minded approach has resulted in the fact that PlayStation 4 is compatible with non-proprietary mobile devices and allows ease of sharing direct to social media networks from PS4.

Nowadays, to stay current, it's imperative that consumer tech companies respect and recognise that in today's society people expect to be holistically connected via their personal tech devices. There's a demand for seamless connectivity, and a second, or in some cases third, screen is the norm when playing games or simply watching TV. PlayStation has really taken this on board, and in turn has opened up the platform to allow for the new way people play games and interact socially.

Having four boys must be like having your own focus group in a way. Do you find that there's a lot of synergy between your home and work life?

Oh, it's a blur! They're very young; they're 16, 14, and twin 12-year-old boys. They're your typical digital-age boys. They all have phones, tablets, and laptops from school, and they definitely play PlayStation. I suppose the thing that I learn from them most of all is what's the buzz out there, not just necessarily about what game is coming out but more about how they're interacting with each other, what they're doing when they're playing games, and how social it's become. I love talking to them, and I think they definitely enjoy the fact that I'm in this business!

How have you worked with your team to develop and strengthen the Sony brand?

We've been blessed to be able to market and sell a product as exciting as PlayStation over the past two decades. For the impact the brand has, and the size of the business, we have a very small >

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team. We employ about 50 people across Australia and New Zealand. It's generally a younger team that is always energised and excited about the product.

My job has always been to establish a culture of integrity with my staff that is reflected in our dealings with business partners. I also feel it's important to empower my staff to push the boundaries of what's possible.

My view is that Sony as a company has always strived to excite consumers through innovation, whilst retaining a high level of integrity. Locally, we endeavour to replicate this at every touchpoint, particularly through our dealings with our retail partners and suppliers, through to our connection with our consumers. We are genuine about our partnerships. We realise that our brand is very powerful; it's a global top-five brand. Passion and integrity are both key, and we thoroughly enjoy working with our

selected suppliers and retailer partners who, in turn, often demonstrate this back to us through their own business work ethic and results delivery.

I think all our business partners would agree that we love to come to them with well-planned, strategic opportunities that benefit both parties. We ensure that these opportunities are in line with our strategy, fit our brand, and are win-win for both. I like to think the culture that I've established here for the past two decades is about passion, excitement, and value when we think about working with business partners.

We've enjoyed a number of high-profile sponsorships over the years. We sponsored the New South Wales Blues and the AFL umpires for six years, and have also sponsored Perisher for 13 years, a relationship that continues today. For us, sponsorship deals aren't just about signage and logo placements; while they certainly

have a valuable place, we want to engage in a meaningful way with their customers and our consumers and make something bigger.

An example took place during our NRL sponsorship. We were the first brand to negotiate creativity around the 'Try/No Try' screen. When a team scored, the visual was a spinning PlayStation Portable that stopped with the score result in the middle of the screen.

How do you work with suppliers and strategic partners to foster innovation?

As far as the technical capabilities of the products are concerned, that comes from research and development from around the world. Our job is to always push the boundaries with our business partners, to take the innovations the product offers and to market them so our consumers feel emotionally connected with our brand.



Our digital sales on PlayStation are growing exponentially—direct to customers on games, music, and movies. What's really interesting is that every year, as the product continues to evolve, we have to evolve with it. We need to ensure that we are current and remain open-minded about the way we work and who we work with. Our consumers, quite rightly, demand new and fresh content, particularly in the digital entertainment service space. As such, we are often in discussion with potential partners to continue our expansion in this area. For example, we recently partnered with Foxtel and launched their digital entertainment service, Foxtel Play, on both PlayStation 3 and PlayStation 4. We have a great relationship with Quickflix, whose movie service is available to PS3 and PS4 owners. Being nimble is critical, and we need to both listen and be savvy about where consumers are going to satisfy their entertainment needs. It's a challenge, but it's always interesting and very satisfying when we do something that our consumers applaud.

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- Michael Ephraim

What will the future hold for Sony and the PlayStation brand?

With PlayStation 4, Andrew House, our global president and group CEO, made a forecast before launch that we would sell five million units from November to March 2014. Well, we have exceeded all expectation and our cumulative worldwide sell through numbers are north of seven million. It's an amazing achievement given the PlayStation 4 has been in the global market for less than five months and the on-going momentum continues. It's fair to say that PlayStation 4 has definitely captured the hearts and minds of consumers.

Now, in addition to delivering outstanding next-generation-quality games to the PS4 platform, our priority is to continue developing the systems digital

entertainment service offering by looking at local partnerships with our sister companies such as Sony Mobile and other Australian content and creative companies.

Our vision for the PlayStation brand is endless, and, year on year, we continue to be the number one gaming brand in Australia. PlayStation 3 has been the number one selling console for more than three years now, and PlayStation 4 is definitely leading the next-generation category. We challenge ourselves to constantly look at things differently so that we can ensure our business remains abreast of what's happening out in the marketplace. Our mission is to always stay relevant, fresh, irreverent, playful, and to retain PlayStation's position as a leading consumer entertainment brand in Australia for everyone to enjoy. ●



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